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 Sustainable property index

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ABSTRACT

A method of determining the sustainability of a property investment includes the steps of applying predetermined financial and social responsibility criteria to the investment; and processing data generated as a result of the application of the criteria to derive a sustainability index for the investment.

- 5 The invention extends also to a system for determining the sustainability of the investment and to an index for determining the sustainability of the investment.

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HOTEL CAPITAL PARTNERS LIMITED

COMPLETE SPECIFICATION
STANDARD PATENT

Invention Title:

Sustainable property index

The following statement is a full description of this invention
including the best method of performing it known to us:-

Sustainable property index

Field of the Invention

This invention relates to property investments. More particularly, the invention relates to a system for assessing property investments and to a
5 method of assessing such property investments.

Background to the Invention

Investment houses need to invest large volumes of funds on behalf of investors. More and more of these funds are being channelled towards
10 investments in immovable property.

In addition, more and more investors require that their funds be invested in socially responsible investments making it necessary for investment houses, in order to attract those funds, to offer such investments.

While certain companies, in particular, make use of triple bottom line
15 accounting in the sense of providing a financial report, an environmental report and a social report, it is difficult to quantify the sustainability of that investment from a social responsibility point of view.

Summary of the Invention

20 According to a first aspect of the invention, there is provided a method of determining the sustainability of an investment, the method including the steps of

applying predetermined financial and social responsibility criteria to the investment; and

25 processing data generated as a result of the application of the criteria to derive a sustainability index for the investment.

In this specification, the term "sustainability" means more than a sustainable profitable return on investment. It means, more importantly, that the investment maintains and improves on its social responsibility obligations.

30 Hence, as will be described below, it is to be noted that the index used to determine the sustainability of the investment is heavily weighted towards the social responsibility criteria of the investment.

According to a second aspect of the invention, there is provided a computer-implemented method of determining the sustainability of an
35 investment, the method including the steps of

applying predetermined financial and social responsibility criteria to the investment;

generating data as a result of the application of the criteria to the investment; and

- 5 feeding the generated data to a data processing means to derive a sustainability index for the investment.

The investment may be a property investment and the method may include sub-dividing the index into at least four components being the financial criteria, reporting transparency criteria with the social responsibility criteria
10 being further divided into social criteria and environmental criteria.

The method may include further sub-dividing each of the social criteria, the environmental criteria and the reporting transparency criteria into a number of categories.

- The method may include allocating a total number of points to the index,
15 the total number of points constituting an optimum score. The optimum score may only be achievable when an optimum performance is delivered in each of the criteria constituting the index.

Further, the method may include allocating the majority of points to the financial criteria, the social criteria and the environmental criteria. At least in
20 respect of the social criteria and the environmental criteria, the method may include allocating points to the various categories constituting those criteria based on the relative importance of those categories to sustainability principles.

- In applying the index in respect of the financial criteria, the method may include awarding points based solely on the property's return on accumulative
25 investment cost relative to a benchmark return. Due to the fact that the index is focused on measuring sustainable outcomes and not planning, improvement in returns, taking action towards sustainability and reducing negative impacts may secure points under the environmental criteria and social criteria whereas simply expounding the sustainability of social responsibility would not secure
30 points.

Of the three major criteria, the financial criteria may most easily result in a return in excess of the benchmark to provide a points allocation of the maximum number of points associated with the financial criteria. In most situations, a return below the benchmark would, however, apply with the
35 consequent reduction in points below the maximum number of points.

In respect of the remaining components of the index, the method may include awarding points depending on the success or otherwise of initiatives relevant to the categories constituting each of the criteria.

The method may include, in respect of the environmental criteria,
 5 selecting the categories constituting the environmental criteria to assess the property's interaction with, and impact on, the environment. In applying the index, the method may include awarding no points in respect of the environmental criteria, as a whole, if there is evidence of a major negative environmental impact associated with the property.

10 Further, the method may include, in respect of the social criteria, selecting the categories constituting the social criteria to assess the property's interaction with, and impact on, various stakeholders. In the context of this invention, "stakeholders" means more than the investors in the investment. It includes all those people who directly interact with the property, including
 15 occupants of the property, personnel employed by the investment property, the community and indigenous peoples associated with the area in which the property is situated. Once again, in applying the index, the method may include awarding no points in respect of the social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.

20 The method may include incorporating the reporting transparency criteria in the index to ensure a transparent process in the use of the index. The method may include, in respect of each category constituting the reporting transparency criteria, awarding full points if there is compliance with conditions of that category and no points if there is no compliance with those conditions,
 25 there being no partial allocation of points for partial compliance with the relevant conditions. In other words, points can only be secured for total compliance with the conditions of each category.

According to a third aspect of the invention, there is provided a system for determining the sustainability of an investment, the system including
 30 a data generating means for generating data as a result of the application of predetermined financial and social responsibility criteria to the investment; and

a data processing means responsive to the data generating means for processing said data to derive a sustainability index for the investment.

35 As indicated above, the sustainability index is intended particularly for use in immoveable property investments

The investment may, therefore, be a property investment and, preferably, the index comprises four components, being the financial criteria, reporting transparency criteria with the social responsibility criteria being sub-divided into environmental criteria and social criteria.

- 5 Each of the social criteria, the environmental criteria and the reporting transparency criteria may be sub-divided into a number of categories.

The index may be based on an allocation of a predetermined number of points constituting an optimum score. The major portion of the points may be allocated to the financial criteria, the environmental criteria and the social
10 criteria. At least in respect of the social criteria and the environmental criteria, points may be allocated to the various categories constituting those criteria based on the relative importance of those categories to sustainability principles.

In respect of the financial criteria, points may be awarded based solely on the property's return on accumulative investment cost relative to a
15 benchmark return whereas the other components deliver points depending on the success or otherwise of initiatives in respect of the categories constituting the criteria.

The categories constituting the environmental criteria may be selected to assess the property's interaction with, and impact on, the environment. No
20 points may be awarded in respect of the environmental criteria, as a whole, if there is evidence of a major negative environmental impact associated with the property.

The categories constituting the social criteria may be selected to assess the property's interaction with, and impact on, various stakeholders. Once
25 again, no points may be awarded in respect of the social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.

The reporting transparency criteria may be included to enhance the credibility of the index by ensuring a comprehensive, transparent process. In
30 respect of each category constituting the reporting transparency criteria, full points may be awarded if there is compliance with conditions of that category and no points may be awarded if there is no compliance with the conditions of that category, there being no proportional allocation of points for any category.

According to a fourth aspect of the invention, there is provided a
35 computer-readable medium having a plurality of data fields stored on the medium and representing a data structure, the medium comprising

a first data field containing data representative of the application of predetermined financial and social responsibility criteria to the investment; and

at least one further data field containing data representative of a sustainability index for the investment.

5 According to a fifth aspect of the invention, there is provided an index for use in assessing of the sustainability of an investment, the index comprising an optimum score to be aimed for;

a plurality of criteria, including financial criteria and social responsibility criteria, a portion of the optimum score being allocated to each of the criteria;

10 and

an application means that assesses the investment to determine whether or not the investment complies with requirements of the criteria and awards points in dependence on compliance with those criteria, the assessment resulting in an index score representative of the sustainability of the investment.

15 The index may be used in assessing the sustainability of a property investment.

The index may comprise four components, being the financial criteria, reporting transparency criteria with the social responsibility criteria being sub-divided into environmental criteria and social criteria.

20 Each of the social criteria, the environmental criteria and the reporting transparency criteria may be sub-divided into a plurality of categories.

The index may be based on an allocation of a predetermined number of points constituting the optimum score. The major portion of the points may be allocated to the financial criteria, the environmental criteria and the social
25 criteria, together.

At least in respect of the social criteria and the environmental criteria, points may be allocated to the various categories constituting those criteria based on the relative importance of those categories to sustainability principles.

In respect of the financial criteria, points may be awarded based solely
30 on the property's return on accumulative investment cost relative to a benchmark return whereas the other components deliver points depending on the success or otherwise of initiatives in respect of the categories constituting the criteria.

The categories constituting the environmental criteria may be selected to
35 assess the property's interaction with, and impact on, the environment. No points may be awarded in respect of the environmental criteria, as a whole, if

there is evidence of a major negative environmental impact associated with the property.

The categories constituting the social criteria may be selected to assess the property's interaction with, and impact on, various stakeholders. Once again, no points may be awarded in respect of the social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.

The reporting transparency criteria may be included to enhance the credibility of the index by ensuring a comprehensive, transparent process. In respect of each category constituting the reporting transparency criteria, full points may be awarded if there is compliance with conditions of that category and no points may be awarded if there is no compliance with the conditions of that category, there being no proportional allocation of points for any category.

15 **Detailed Description of Preferred Embodiment**

The sustainable property index, in accordance with the invention, has been developed, primarily, in order to provide property investors with a framework that measures the sustainability of their investment. It also quantifies the relationship between investment returns, environmental initiatives and social initiatives. The index could also be used as an attractive risk management model by property managers.

The index has been developed with a view to the investment of funds in socially responsible properties. It is necessary to use a suitably derived index to ensure the sustainability of such socially responsible investments. Such socially aware investors require that their investments are in socially responsible investments. This is not only at the time of making the initial investment but, increasingly, such investors require that the socially responsible aspect of such investment be maintained throughout the life of the investment.

The use of the index, in accordance with the invention, facilitates the screening of socially responsible investments in properties, in particular.

While the index has been developed specifically for hotel properties, by minor modification of certain aspects of the index, in particular, the social criteria component of the index, the index can be applied to other commercial properties such as offices, retail properties, industrial properties, hospitals,

retirement villages, residential villages, caravan parks or any other property where a business is conducted for human habitation or occupation.

A first example of the use of the index is described below with reference to its application to a hotel as an investment property. The hypothetical hotel
5 used in this example is referred to as Hotel ABC.

The sustainable property index comprises four components, being financial criteria, environmental criteria, social criteria and reporting transparency criteria. The points allocated to each of these criteria make up a total index score of 100 points as shown in Table 1 below.

10	SUSTAINABLE PROPERTY INDEX	
	HOTEL ABC	Total Points
	FINANCIAL CRITERIA	Initial points Allocation
15		
	Total financial points when benchmark achieved	32.0
	Allocate points for financial performance relative to benchmark return that is based on bond rate	
20	ENVIRONMENTAL CRITERIA	Initial points Allocation
	Total environmental points (assumes no mega environmental impact)	32.0
25	Deduct points for negative environmental impacts	
	SOCIAL CRITERIA	Initial points Allocation
	Total social points (assumes no mega social impact)	32.0
30	Deduct points for negative social impacts	
	REPORTING TRANSPARENCY CRITERIA	Initial points Allocation
	Total reporting transparency criteria	4.0
35	Provide points for reporting transparency	
	TOTAL INDEX SCORE	100.0

Table 1

40 As indicated in Table 1, the points awarded in the financial criteria are used for determining the financial performance of the investment in this hotel

property relative to a benchmark return which is based on the bond rate. A total points achievable of 32 points is provided for the financial criteria. In exceptional circumstances, for example, when the return exceeds the benchmark, it is conceivable that more than 32 points can be awarded under the financial criteria.

In respect of both the environmental criteria and the social criteria an initial point allocation of 32 is made. For all negative aspects of the sub-categories of each of the environmental criteria and social criteria, as will be described in greater detail below, points are deducted from the initial points allocation of 32.

In respect of the reporting transparency criteria, an initial points allocation of 4 is made to make up the total index score of 100.

SUSTAINABLE PROPERTY INDEX

15 HOTEL ABC Total Points

FINANCIAL CRITERIA

Return on Investment Cost relative to benchmark **32.00**

20 ENVIRONMENTAL CRITERIA

	Initial Points Allocation	Deductions for Negative Impacts
Land	5.33	-
Building	5.33	-
Water - Self Sufficiency	2.67	-
25 - Reduction (per occupied room)	2.67	-
Energy- Self Sufficiency	2.67	-
- Reduction (per occupied room)	2.67	-
Procurement	5.33	-
Outputs	5.33	-
30 Total Environmental Points (assumes no mega EI)	32.00	-

SOCIAL CRITERIA

	Initial Points Allocation	Deductions for Negative Impacts
Physical Construct	5.33	-
35 Industrial Relations	5.33	-
Occupational Health & Safety	5.34	-
Guest Satisfaction	5.34	-
Supplier Guidelines	5.33	-
Other Stakeholder Interaction	5.33	-
40 Total Social Points (assumes no mega SI)	32.00	-

	REPORTING TRANSPARENCY CRITERIA	Max. Points	Deductions for
		Allocation	Non-Achievement
	Criteria Independently Quantified	1.0	-
	Criteria Independently Audited	1.0	-
5	Index Independently Verified	1.0	-
	Results Publicly Available	1.0	-
	Total Reporting Transparency Criteria	4.0	-
10	TOTAL INDEX SCORE	100.0	-

Table 2

As shown in Table 2 above, the environmental criteria is subdivided into the following categories: "Land"; "Building"; "Water"; "Energy"; "Procurement" and "Outputs". Each category is allocated approximately the same number of points. It is to be noted that both the "Water" and "Energy" categories are further subdivided into sub-categories of "Self Sufficiency" and "Reduction", the purpose of which will be described in greater detail below.

The social criteria is subdivided into the following categories: "Physical" "Construct"; "Industrial Relations"; "Occupational Health and Safety"; "Guest Satisfaction"; "Supplier Guidelines" and "Other Stakeholder Interaction".

The reporting transparency criteria is divided into four categories of: "Criteria Independently Quantified"; "Criteria Independently Audited"; "Index Independently Verified" and "Results Publicly Available".

In respect of the environmental criteria an assumption is made that there is no major negative, or "mega", environmental impact. Examples which could constitute major negative environmental impacts are exposed asbestos material in buildings constituting the hotel or direct discharge of sewerage into an adjoining river system. Where such a major environmental impact is present, zero points are awarded under the environmental criteria.

Similarly, in respect of the social criteria, there is an assumption made that there are no major negative, or "mega", social impacts. Examples of negative social impacts are blatant discrimination, use of child labour or use of forced labour. Once again, if there is evidence of any major negative social impact, no points are awarded under the social criteria of the index.

It will be appreciated that if no points are awarded under either the environmental criteria or the social criteria this would immediately indicate that the property was performing poorly as a socially responsible investment.

Table 3 shows the application of the index to the hotel property over a period of 3 years.

SUSTAINABLE PROPERTY INDEX									
HOTEL ABC		YEAR 1			YEAR 2			YEAR 3	
FINANCIAL CRITERIA		Calculation	Points		Calculation	Points		Calculation	Points
A = Hotel trading return on total investment		7.00%			10.25%			7.00%	
B = Hotel capital gain/loss return on total investment		2.00%			4.50%			-1.00%	
C = Total return investment		9.00%			14.75%			6.00%	
D = 10 year Bond Rate		6.10%			6.50%			7.00%	
E = Risk Premium (as a function of 10 year bond)		2.10			2.10			2.10	
Benchmark Economic Return = 32 Points = (DxE)		12.81%			13.65%			14.70%	
Achieved Economic Points = (C/H) x 32		32.0	22.48	32.0	34.58	32.0	13.06		
ENVIRONMENTAL CRITERIA		Initial Points	Negative Impacts	Points	Initial Points	Negative Impacts	Points	Initial Points	Negative Impacts
		Allocation			Allocation			Allocation	
Land		5.33	0.00	5.33	5.33	0.00	5.33	5.33	0.00
Building		5.33	-5.00	0.33	5.33	-5.00	0.33	5.33	-4.90
Water -Self Sufficiency		2.67	-2.67	0.00	2.67	-2.50	0.17	2.67	-2.30
-Reduction (per occupied room)		2.67	-2.40	0.27	2.67	-2.20	0.47	2.67	-1.90
Energy -Self Sufficiency		2.67	-2.60	0.07	2.67	-2.40	0.27	2.67	-2.20
-Reduction (per occupied room)		2.67	-2.50	0.17	2.67	-2.30	0.37	2.67	-2.00
Procurement		5.33	-3.00	2.33	5.33	-2.90	2.43	5.33	-2.60
Outputs		5.33	-5.00	0.33	5.33	-4.80	0.53	5.33	-4.35
Total Environmental Points (assumes no mega EI)		32.00	-23.17	8.83	32.00	-22.10	9.90	32.00	-20.25
SOCIAL CRITERIA		Initial Points	Negative Impacts	Points	Initial Points	Negative Impacts	Points	Initial Points	Negative Impacts
		Allocation			Allocation			Allocation	
Physical Construct		5.33	-1.50	3.83	5.33	-1.00	4.33	5.33	-0.50
Industrial Relations		5.33	-0.50	4.83	5.33	-0.40	4.93	5.33	-0.30
Occupational Health & Safety		5.34	-0.50	4.84	5.34	-0.40	4.94	5.34	-0.30
Guest Satisfaction		5.34	-1.00	4.34	5.34	-0.75	4.59	5.34	-0.65
Supplier Guidelines		5.33	-2.00	3.33	5.33	-1.50	3.83	5.33	-0.50
Other Stakeholder Interaction		5.33	-1.00	4.33	5.33	-0.95	4.38	5.33	-0.95
Total Social Points (assume no mega SI)		32.00	-6.50	25.50	32.00	-5.00	27.00	32.00	-3.20
REPORTING TRANSPARENCY CRITERIA		Max. Points			Max. Points			Max. Points	
		Allocation	Deductions	Points	Allocation	Deductions	Points	Allocation	Deductions
Criteria Independently Quantified		1.00	-1.00	0.00	1.00	0.00	1.00	1.00	0.00
Criteria Independently Audited		1.00	0.00	1.00	1.00	0.00	1.00	1.00	0.00
Index Independently Verified		1.00	0.00	1.00	1.00	0.00	1.00	1.00	0.00
Results Publicly Available		1.00	0.00	1.00	1.00	0.00	1.00	1.00	0.00
Total Reporting Transparency Criteria		4.00	-1.00	3.00	4.00	0.00	4.00	4.00	0.00
TOTAL INDEX SCORE		100.00		59.81	100.00		75.48	100.00	57.61

In so far as the financial criteria is concerned, these are based on the achievement of a benchmark return which would provide the required 32 points. A return in excess of the benchmark provides a points allocation proportionately in excess of 32 as shown, for example, in year 2 in Table 3. A
 5 return below the benchmark provides a points allocation which is proportionately below the total points allocation of 32.

It is assumed that Hotel ABC is acquired at the start of year 1. It is to be noted that the index is not used in deciding to make the initial investment; that is done on a purely financial basis to provide the desired return on investment.

10 Referring again to Table 3, in the first year the hotel achieved a trading profit which reflected a return of 7% on total investment (being the initial purchase price, acquisition costs and any additional capital works). In addition, the capital appreciation of the hotel results in a further 2% return. The total return for year 1 is therefore 9%.

15 The benchmark return for year 1 is calculated at 12.81%. This reflects a financial under performance and translates into a points allocation of 22.48 points being $9\%/12.81\% \times 32$.

In year 2, the hotel achieves a return in excess of the benchmark to provide a total points allocation under the Financial Criteria of 34.58. In year 3,
 20 the total return deteriorates to well below the benchmark and consequently the financial points awarded are only 13.06. The effect of this is that on the overall index the hotel as an investment scores a lower index sustainability score in year 3 when compared to year 1.

In so far as the environmental criteria are concerned, these are used to
 25 examine the interaction of the property with the environment. As previously indicated no environmental points are awarded if there is evidence of a major negative environmental impact. The more environmentally friendly the property is the greater the number of points which would be awarded. In the event that the property was constructed entirely of renewable materials and created no
 30 negative environmental impacts at all it would achieve the maximum points of 32. In the further event that the property could contribute positively to the environment, for example, that the property had the ability to generate and sell power in excess of its own requirements using renewable resources such as solar power or wind power then the property could achieve a points score
 35 higher than 32.

In so far as the "Land" category is concern, if the property were built on clean land it would receive the maximum number of points being 5.33 points. A property built on contaminated land would receive 0 points. Contaminated land is regarded as land where there is a risk of exposure for people or the
5 environment.

Under the "Building" category, a building constructed entirely from renewable materials achieves 5.33 points. Points are allocated on a proportional basis so that a property constructed with 5% renewable materials would achieve 0.2665 points for this category.

10 Under the "Water" category if the property is completely self sufficient for its water requirements it receives 2.67 points. A property which is totally reliant on public water systems receives no points. Situations in between are allocated points proportionately.

Under the sub-category of "Water Reduction", water consumption at the
15 time of the acquisition is regarded as the benchmark. Water consumption from the public system is measured on a per occupied room basis for a hotel investment. For a commercial property investment this would be measured on a per occupied metre of space.

The points are allocated based on proportional reductions in the
20 benchmark consumption figure. If the benchmark figure were eliminated totally then 2.67 points would be awarded. It will be appreciated that total elimination of the benchmark consumption could only occur if the property was entirely self sufficient in water provision. Therefore, 2.67 points would also be awarded for the "Self Sufficiency" sub-category under the Water category.

25 Similarly, in the case of the "Energy" category, if the property is self sufficient for its energy requirements it would received 2.67 points under the "Self Sufficiency" sub-category. A property which is totally reliant on the purchase of energy receives no points except if the energy purchased is generated using renewable resources (so called "green power") where a
30 maximum 2.67 points could be awarded. Situations in between these two extremes are allocated points proportionately.

In so far as the "Reduction" sub-category of the "Energy" category is concerned, the energy that is purchased by the property at the time of the property acquisition is taken as the benchmark. This energy is measured on a
35 per occupied room basis for a hotel investment and on a per occupied metre of space for a commercial property investment. Points are allocated based on

proportional reductions in the benchmark consumption figure. If the benchmark figure were eliminated totally, then 2.67 points would be awarded. As in the case of the "Water" category, a total elimination of the benchmark consumption could only occur if the property was self sufficient so 2.67 points would then
 5 also be awarded for the "Self Sufficiency" sub-category under the "Energy" category.

It will be noted that the "Water" and "Energy" categories, in particular, provide good bases for improving the index score of the property and, as shown in years 2 and 3, when compared with year 1 where steps are taken to
 10 reduce the use of water and energy, the environmental criteria portion of the index increases.

Under the "Procurement" category all items acquired by the property are reviewed, primarily by invoice inspection, to determine their environmental impact. The impact is classified as either zero or negative. For a hotel
 15 investment, zero impact items would include food. Negative impact items would include chemicals and building materials for repairs and refurbishment made substantially of non-renewable materials. The cost of the negative impact items as a percentage of total purchases determines the points to be deducted from the initial allocation of 5.33 points.

20 Regarding "Outputs", all materials disposed of by the property are examined to determine if they are recycled on site, sent to land fill, sent for recycling or returned to vendor. The percent of materials sent to land fill determines the points deduction from the initial allocation of 5.33 points.

In so far as the categories under the social criteria are concerned, key
 25 points of review under the "Physical Construct" category are the ergonomic nature of labour intensive areas of the hotel such as kitchens, guest rooms and maintenance rooms, disability access and staff facilities. The "Industrial Relations" category makes use of a review of industrial relations over the last 5 years. Similarly, the "Occupational Health and Safety" category relies on a
 30 review of health and safety records over the last 5 years.

The "Guest Satisfaction" category has a specific survey associated with it. The specific survey comprises a number of questions related to the hotel. These questions have been developed by the applicant. Each hotel guest is asked one of the questions upon that guest's departure. The applicant believes
 35 that by merely asking one question the guest is more likely to answer that question than is the case with traditional hotel surveys, comprising large

numbers of questions left in hotel rooms. The survey needs to be in place for a minimum period of three months for the "Guest Satisfaction" category.

The "Supplier Guidelines" category reviews a supplier's social and environmental policies plus issues associated with the relationship between the
 5 supplier and the property owner. The last category under the social criteria component of the index reviews a number of issues including availability of smoking-free floors, extent of gaming in the hotel, noise policy for public outlets including bars, etc.

It will be appreciated that, for other types of commercial properties, the
 10 categories chosen for the social criteria are altered so that, for example, instead of "Guest Satisfaction" one had "Tenants Satisfaction" or "Customer Satisfaction".

The reporting transparency criteria is provided as the credibility of the index is dependent upon ensuring a totally transparent process. A maximum of
 15 4 points is secured by satisfying each of the 4 categories. No proportional allocation of points is made for any item. Points can therefore only be secured if there is absolute compliance with each category requirement. Conversely, if there is not total compliance with the category, zero points are awarded. Thus, for example, in Table 3 it is shown that the criteria had not been independently
 20 quantified so that zero points were awarded. In years 2 and 3, the criteria had been independently quantified so that a maximum allocation of points is made.

It is to be noted that by the personnel associated with the hotel improving their environmental and social management of the hotel, the environmental criteria and social criteria points allocation increases in years 2 and 3 in
 25 comparison with year 1 to provide an improved sustainability index, at least in year 2, bearing in mind that the reason for the fall in the index in year 3 relates to the financial criteria and not the environmental or social criteria.

In the second example, described below, a development of the index is discussed. In general the index is determined in a similar fashion to that
 30 described above with reference to the first example. However, unlike in the first example, the total points comprising the index is 320 being 100 points for each of the financial criteria, the environmental criteria and the social criteria and 20 points for the reporting transparency criteria.

It will be noted that, unlike in the first example, points are not equally
 35 allocated to each category of each of the criteria. Points are allocated to each

category in dependence on the relative importance of the category to sustainability principles.

A hypothetical application of the index in the second example is shown in Table 4 below.

5

SUSTAINABLE PROPERTY INDEX

	Maximum Potential Points	Awarded Points
FINANCIAL CRITERIA		
Return on Investment Cost relative to benchmark	100.00	71.23
ENVIRONMENTAL CRITERIA		
Land	5.00	1.00
Building	25.00	3.00
Water	10.00	1.50
Energy	23.00	14.90
Supplies (Operations & maintenance)	14.00	4.00
Building Management	5.00	0.00
Waste	15.00	2.13
Transport	3.00	1.00
Total Environmental Points (assumes no mega impact)	100.00	27.53
SOCIAL CRITERIA		
Stakeholders		
Guests/Tenants	32.00	12.00
Staff	25.00	22.00
Suppliers	14.00	2.00
Managers	4.00	0.00
Community	18.00	0.00
Other Stakeholders	7.00	4.00
Total Social Points (assumes no mega SI)	100.00	40.00
REPORTING TRANSPARENCY CRITERIA		
Index independently verified	10.0	10.00
Results publicly available	10.0	0.00
Total Reporting Transparency Criteria	20.0	10.0
TOTAL INDEX SCORE	320.0	148.8

Table 4

It is to be noted that the economic element of the index is purposely
 10 focused on purely financial criteria rather than broader measurements of
 economic impact. In other words, the index measures an economic outcome

because a property will be regarded as economically sustainable if it satisfies investor's financial expectations.

A rolling three year return is used to limit the effect of short term abnormal circumstances that can affect property such as, for example, disruptions to income that may not be covered by insurance.

In determining the points awarded for the financial criteria, a property return at or above the benchmark return provides maximum points. A return below the benchmark provides a points allocation based on the proportion of the actual return relative to the benchmark.

Both the property return and the benchmark return calculations are based on a moving three-year average ie. the average of the last three years.

An annualized Year to Date return can be considered for the last year if more than 8 months in the current financial reporting period for the property have elapsed and no seasonality in return is applicable. Otherwise the last full reporting year is compared if the current year is less than 8 months in duration. The benchmark return is that which is applicable as at the end of the actual return year or as at the end date of the Year to Date data.

The property return is calculated as net property income (before interest, depreciation and income tax) plus or minus capital gain or loss for the period. The benchmark return is the total expected rate of return for the asset class of the property in the country of its domicile ie. the long-term bond rate and all investment risk premiums. The results for the three years of this example for the financial criteria are set out in Table 5.

	YEAR 1		YEAR 2		YEAR 3	
	Calculation	Points	Calculation	Points	Calculation	Points
A = Return on total investment	7.00%		10.25%		7.00%	
B = Capital gain/loss on total investment	2.00%		4.50%		-1.00%	
C = Total return on investment	9.00%		14.75%		6.00%	
D = Benchmark Economic Return	13.00%		12.75%		13.50%	
E = Maximum Points Allowed		100.0		100.0		100.0
Achieved Economic Points = (C/D) x E		69.23		100.00		44.44

25

Table 5

As indicated above, a three year return is used to smooth out anomalies which may arise. Therefore, in the example shown in Table 5 above, the sustainability score awarded is $(69.23 + 100 + 44.44)/3 = 71.23$.

The inputs that are used in Table 5 are as set out below in Table 6.

<i>Item</i>	<i>Description</i>	<i>Source</i>
Actual Return	Annual net property income expressed as % of total capital investment (being initial purchase price, acquisition costs and any additional capital works)	Owner - Published management accounts
Capital Gain/Loss	Annual increase or decrease in capital value expressed as a % of the assessed capital value at the end of the previous accounting period. If multiple accounting periods are considered, the rate applied is the annual compound variation in capital value since the commencement date of the assessment period.	Capital outlay – ownership records. Capital Gain - Owner's assessment (to be verified as fair and reasonable by independent expert) or supported by Independent Valuation.
Benchmark Return	Annual expected rate of total return expressed as %	Independent experts written advice or Owner verified as fair and reasonable by independent expert or Publicly available reputable survey or research organisation or Discount rate applied to assess NPV of future income in an Independent Valuation

Table 6

In Table 5 above, it is assumed that, for the first year, the property achieved a net trading profit that reflected a return of 7% on total investment. In addition, the hotel improved in value by the end of year one and this reflected a further 2% return of a capital nature. Total return for year one is therefore 9%. The benchmark return for year one is calculated to be 13%. Consequently, this is an indication of financial under performance and translates to 69.2 points ($9\% / 13\% \times 100$). In year two the hotel achieves a return in excess of the benchmark return which results in an allocation of 100 points. In year three, the total return deteriorates to well below the benchmark return and consequently a score of only 44.4 points is achieved to provide the sustainability score of 71.2 as calculated above.

Regarding the environmental criteria, the index, as in the case of the first example, measures impact of the property on the environment and whether or not it is managed in a sustainable way.

An initial assessment of the environmental impact of the property is made based on sustainability principles with respect to design, materials used, resources consumed and waste generated. Any improvement from the initial assessment measures improvement towards a sustainable state.

Improvements in the sustainability score for the environmental criteria demonstrates responsible social citizenship through a limitation of the impact of the property on the environment in which it operates. This leads to improved investment performance.

A table for the environmental category is shown in Table 7 below. It is to be noted that the numbers in the left hand column are the total points for the particular category. The numbers under the heading "Max. points" are the maximum points available for each sub-category of the particular category. Where no amount appears under the heading "Awarded Points" it means that no points have been awarded. The manner in which points are awarded for each sub-category in Table 7 is set out in Table 8 below.

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ENVIRONMENTAL CRITERIA FOR SUSTAINABILITY INDEX

Categories	Max points	Awarded points
5 Land		1.0
E 1.1 Development Density	1	
E 1.2 Human Density	1	
E 1.3 Beneficial Planting (Biodiversity encouragement)	1	
E 1.4 Run-off (Impermeable paving)	1	
E 1.5 Does the property development	1	

associate with the natural
environment

25 Building				
	Age	E 2.1	How old since the structure was erected	5
	Design	E 2.2	Does the design employ ecological design principles	5 3.0
	Embodied Energy	E 2.3	Minimisation of embodied energy	5
	Materials	E 2.4	Does the construction employ low impact materials	5 -
	Refurbishment	E 2.5	Has any refurbishment since the last assessment employed environmental considerations and low impact materials (sight project brief)	5 -
10 Water				
	Source	E 3.1	Proportion of water usage captured on site for use at first assessment	5 -
	Consumption	E 3.2	Evidence that the water consumption from the public system has reduced - % reduction since first assessment	5 1.5
23 Energy				
	Source	E 4.1	Proportion of energy usage generated on site from renewable resources for use at first assessment	7 0.7
		E 4.2	Proportion of energy usage purchased from "green energy sources"	7 13.3
	Consumption	E 4.3	Evidence that energy purchased from "non green sources" has reduced	9 0.9
14 Supplies (Operations & maintenance)				
	Chemicals	E 5.1	Is there an implemented purchasing policy to acquire non toxic supplies.(hazardous solvents)	4 -
	Building Maintenance Materials	E 5.2	Is there an implemented purchasing policy to acquire products with low impact	4 -
	Management Materials	E 5.3	Is there an implemented purchasing policy to acquire products with low impact	2 -
	Guest/Tenant Supplies	E 5.4	Is there an implemented purchasing policy to acquire products with low impact	4 4.0
5 Building Management				
		E 6.1	Is there a comprehensive operations and maintenance policy that incorporates the	5 -

			application of sustainability principles.			
15 Waste	Solid Waste	E 7.1	Proportion of solid waste composted, reused, recycled, or returned to vendor for reuse at first assessment	5	1.3	
		E 7.2	Evidence that the amount of unsorted waste is decreasing - % reduction since first assessment	5	0.9	
	Liquid Waste	E 7.3	Is liquid waste treated and reused on-site	5	-	
3 Transport	Guests/tenants	E 8.1	Does the property and/or management encourage public and/or low energy transport methods	3	1.0	
<hr/>				100	27.5	
Notes:		Environmental Design Considerations	Passive solar design			
			Integrated BMS			
			Low energy services			
			Adaptive reuse design			
		Low impact materials & supplies	Contains post consumer waste, recycled post industrial waste or renewable resources			
			Timber from recycling or from a plantation source			
			Packaging - Reduced, reusable or returnable or composed of recycled materials			
			Free of targeted harmful chemicals			
			Production process - Minimal use of raw materials			
			Production process - achieve low levels above regulatory standards for gas emission, liquid effluent and solid waste			
			Minimisation of embodied energy			
		Transport	Property encouragement by proximity to public transport			
			Management encourages walking, cycling and use of public transport by guests/tenants			

Table 7

Category		Area of Review	Explanation	Assessment Process
Land	E 1.1	Development density	Measures efficiency of land use that encourages greater biodiversity in the wider bioregion	Building area to site area (FSR) <ul style="list-style-type: none"> > <10:1 – 1 point > Between 3:1 and 10:1 - .5 points > Below 3:1 – Nil points
	E 1.2	Human Density	Measures site usage by rewarding the maximum number of persons on the least site area. Similar biodiversity benefits to above	Building area per person <ul style="list-style-type: none"> > >10 m² per person – 1 point > Between 10 and 30 m² pp - .5 points > < 30 m² per person – Nil points
	E 1.3	Beneficial Planting	Measures the encouragement of biodiversity recognising the benefit of local native planting	Area of the unbuilt site area planted to local native planting <ul style="list-style-type: none"> > >80% - 1 point > Between 50% and 80% - .5 points > <50% - Nil
	E 1.4	Run-off	Credits responsible water retention and penetration for recharging water aquifers	Area impermeably paved to total site area <ul style="list-style-type: none"> > 0% - 1 point > between 0% and 20% - .5 points > > 20% - nil Points <p>Note: Credit water that may be captured on impermeable surfaces but is retained in ponds or returned to the site.</p>
	E 1.5	Association with natural environment	Credits the manner in which the building and its surrounding land area is orientated to the land (a blending in factor). Based upon best architectural design practices.	Yes for best practice scores 1 point No association with natural state Nil points
Building	E 2.1	Age	Recognises that the longer the building lasts, the less impact caused by the embedded energy	<ul style="list-style-type: none"> > >100 years – 5 points > >80 years – 4 points > >60 years – 3 points > >40 years – 2 points > >20 years – 1 point > <20 years - nil
	E 2.2	Design	An assessment of the ecological design principles employed based on statements made in the design brief. Based upon best	Yes for best practice scores 5 points. Proportionate points allocation within a maximum of 5 points for incorporation of relevant design features.

			architectural design practices including but not necessarily limited to those shown in notes to example.	
	E 2.3	Embodied Energy	Assesses the energy required to make and deliver the building. At 2002, the cost per square metre is a reasonable representation of EE although recognised as not a precise measure.	Cost is actual cost per square metre if known or insurance replacement cost, inclusive of fees. > < \$500/m ² – 5 points > < \$750/m ² – 4 points > < \$1,000/m ² – 3 points > < \$1,500/m ² – 2 points > < \$2,000/m ² – 1 point > > \$2,000/m ² - nil
	E 2.4	Materials	An assessment of the employment of low impact materials in construction based on statements in the design/ construction brief. See notes for examples shown in notes to example.	Yes for best practice scores 5 points. Proportionate points allocation within a maximum of 5 points for incorporation of relevant design features.
	E 2.5	Refurbishment	Works undertaken since the last assessment in accordance with environmental design and use of low impact materials shows continued commitment to sustainability principles.	Yes with reference for notes to E 2.2 and E2.4 – 5 points. Proportionate points allocation within a maximum of 5 points for incorporation of relevant design features.
Water	E 3.1	Source	The use of water collected on site for use by the property at the date of the first assessment demonstrates self sufficiency and limitation of impact associated with providing public infrastructure	Proportionate points awarded within a maximum of 5 points based on the volume of water used that has been collected on site.
	E 3.2	Consumption	Demonstrates sustainable practices through a reduction in water	Proportionate points awarded within a maximum of 5 points based on the proportionate reduction of the amount of

			usage that has been drawn from public supply.	water drawn from the public supply since the first assessment.
Energy	E 4.1	Source	An assessment of the energy generated on site from renewable resources at the date of the first assessment demonstrates self sufficiency and limitation of impact associated with providing public infrastructure generated from fossil fuels.	Proportionate points awarded within a maximum of 7 points based on the kilowatts used as a proportion of the kilowatts purchased from the grid (non renewable fuel sources)
	E 4.2		An assessment of the proportion of the energy purchased from the grid that is from "green sources" at the date of the first assessment.	Assessed from contract documentation identifying the proportion of "green energy" purchased to the total purchased. Proportionate points awarded within a maximum of 14 points. (See example for 100% purchase of public provided power from "green sources")
	E 4.3	Consumption	Demonstrates sustainable practices through a reduction in energy from fossil fuel generated sources since the first assessment.	Proportionate points awarded within a maximum of 23 points for a reduction to nil supply from fossil fuel sources.
Supplies	E 5.1	Chemicals	Evidenced from implementation of a purchasing policy that supplies for operation and maintenance of the property do not contain chemicals known to be harmful to human health.	Yes – 4 points No – nil points
	E 5.2	Building maintenance materials	Evidenced from implementation of a purchasing policy that supplies for operation and maintenance of the property contain low impact materials (see	Yes – 4 points No – nil points

			notes for examples)	
	E 5.3	Management Materials	Evidenced from implementation of a purchasing policy that supplies for the management of the property contain low impact materials (see notes for examples)	Yes – 2 points No – nil points
	E 5.4	Guest/tenant supplies	Evidenced from implementation of a purchasing policy that supplies purchased for guest/tenant use contain low impact materials (see notes for examples) and do not contain chemicals known to be harmful to human health.	Yes – 4 points No – nil points
Building Management	E 6.1		An implemented comprehensive operations and maintenance policy for the ongoing operation of the property services that incorporates sustainability principles demonstrates continued sustainability practice following installation.	Yes – 5 points No – Nil points
Waste	E 7.1	Solid waste	The proportion of solid waste that is not sent to land fill at the date of first assessment demonstrates commitment to sustainable waste management.	Proportionate points awarded within a maximum of 5 points based on the volume of waste collected that is sent to land fill.
	E 7.2		A reduction in the amount of waste sent to landfill since the first assessment demonstrates commitment to sustainable practice.	Proportionate points awarded within a maximum of 10 points based on a reduction in the volume of waste collected that is sent to land fill since the first assessment.

	E 7.3	Liquid waste	The collection and treatment of liquid waste on site demonstrates self sufficiency and limitation on public infrastructure.	Yes – 5 points No – nil points
Transport	E 8.1	Use of efficient or low energy transport methods	An encouragement to use zero or low energy consumption by the properties location close to public transport, walking, cycling etc. limits the amount of fossil fuel use.	Yes – 3 points No – Nil points eg. Total reliance on private transport Points allocation between for elemental consideration.

Table 8

For the social criteria, once again and as was the case with the first example, the index measures the existence and scope of engagement with the various stakeholders and a number of outputs of constructive engagement.

A key element of directing a business/property towards sustainability is to have a vision of what sustainable relationships one wants with the various stakeholders with which the business/property is associated for the betterment of both the business/property and the society in which it serves, to critically reflect on the quality of those relationships and to plan and take action to improve those relationships. "Sustainable" in this context does not relate to the duration of the relationship but to a relationship that generates a positive social development of that stakeholder.

Improvement in the satisfaction of stakeholders demonstrates responsible social relationships, a positive contribution to the role of the business/property to the social environment in which it operates and leads to improved investment performance.

A "Social Policy", as referred to in this category, means a written policy that sets out various policies and procedures of how the business/property conducts its activities. It should include reference to the major stakeholder groups reviewed for the purpose of the assessment and will include reference to its environmental conduct. If no such policy exists, then no points are awarded for the category to which reference is made. If a policy exists for

some but not all stakeholders eg. Staff policy only, then points are awarded for those stakeholder groups covered by a formal policy.

When items are not applicable eg. Owner managed business not relevant for criteria S4.1, no indigenous association established for criteria S5.5, etc, points are awarded based on a reduced maximum and scaled upwards to relate to a maximum of 100.

A table for the social criteria is shown in Table 9 below. Once again, it is to be noted that the numbers in the left hand column are the total points for the particular category. The numbers under the heading "Max. points" are the maximum points available for each sub-category of the particular category. Where no amount appears under the heading "Awarded Points" it means that no points have been awarded. The manner in which points are awarded in each category in Table 9 is set out in Table 10 below.

SOCIAL CRITERIA FOR SUSTAINABILITY INDEX

Stakeholders		Max Awarded points Points	
General		Do you have a formal and documented Social Policy? - Provide copy	
32 Guests/Tenants	S 1.1	Do you measure guest/tenant satisfaction	5 5
	S 1.2	Evidence that you take action on all negative comments	7 7
	S 1.3	Are guests/tenants made aware of your Social Policy	4
	S 1.4	Do you formally invite guest/tenant feedback on your Social Policy	5
	S 1.5	Evidence that you take action on feedback on the Social Policy into account in future business planning	8
	S 1.6	Is there an implemented purchasing policy to acquire supplies that limits human exposure to harmful substances	3
Human sustenance items			
25 Staff	Training	S 2.1 Do you have a staff development system	5 5
	Working Conditions	S 2.2 Are award wages and entitlements paid to all staff (Living Wage)	5 5
	Code of Conduct	(Freedom of association, discrimination, equal opportunities etc.)	

		S 2.3 Does your property conduct business under guidelines covering such items that meets National or ILO standards	3	3
	Health & Safety	S 2.4 Is Health & Safety included in staff training programs	2	2
		S 2.5 Evidence that the number of workers compensation claims/injury reports reduced on a rolling three year basis	3	3
	Staff Satisfaction	S 2.6 Have the number of absentee days reduced on a three year rolling basis	3	3
		S 2.7 Do you have a staff review process (at least annual) and does it invite staff feedback	1	1
		S 2.8 Are staff made aware of your Social policy	1	
		S 2.9 Evidence that you take Staff satisfaction results and feedback on the Social Policy into account in future business planning	2	
14 Sup-pliers		S 3.1 Evidence that you have a preference, where possible, to purchase supplies from local providers	8	
		S 3.2 Evidence that you buy goods and services from providers with a formal Social Policy	4	
		S 3.3 Are there any unresolved disputes with suppliers of services (including the manager)	2	2
4 Mana-gers	Contracted	S 4.1 Evidence that you instruct management to conduct management services in accordance with your Social Policy	4	
18 Com-munity	Neighbours	S 5.1 Evidence that the interests of your neighbours/neighbourhood are taken into account when your business impacts on them	5	
	Wider Community	S 5.2 Evidence that your business actively participates in community development programs	5	
		S 5.3 Evidence that you make the property available for community use at a discount to commercial terms	2	
		S 5.4 Are the heritage values of your property publicly displayed	3	
		S 5.5 Evidence that the indigenous association/values associated with	3	

the property are publicly displayed

7 Other Stakeholders

Government	S 6.1	Are there any outstanding orders in respect of the property	1	1
Lessor & Lessee relationships	S 6.2	Are there any unresolved disputes with the landlord (in the case where the land is leased or the land and buildings are leased by a business related property) or any lessees, licensees or sub-lessees	2	2
Investors/ Shareholders	S 6.3	Evidence that you invite investor feedback on your Social policy	1	
	S 6.4	Evidence that you take action on feedback on the Social policy into account in future business planning	2	
Financiers	S 6.5	Have all commitments been met without penalty in the past 12 months	1	1

100

100

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Table 9

Category		Area of Review	Explanation	Assessment Process
Guests/ Tenants	S 1.1	Guest/Tenant satisfaction	A measurement of the satisfaction of the occupants of a property demonstrates that the business/ property recognises the importance of measuring satisfaction through this basic engagement process.	Yes – 5 points No – Nil points
	S 1.2	Action taken on satisfaction results	Taking action on the responses to satisfaction enquiry demonstrates commitment to taking action on the engagement process.	Yes – 7 points No – Nil points
	S 1.3	Informing guests/tenants of a Social policy	Exposure of what you stand for through the Social policy demonstrates	Yes – 4 points No – Nil points

			commitment to open engagement on how the business/property is operated.	
	S 1.4	Guest/tenant feedback on Social Policy	Inviting feedback on what you stand for takes the next step towards full engagement with this stakeholder	Yes – 5 points No – Nil points
	S 1.5	Action taken on guest/tenant feedback on Social Policy	Taking action on the feedback to what you stand for, in whatever form that action might take, demonstrates a full commitment to engagement with this stakeholder.	Yes – 8 points No – Nil points
	S 1.6	Human sustenance items	Purchase of supplies consumed by the occupants of the property that are not harmful to human health demonstrates commitment to a sustainable relationship with this stakeholder.	Yes for an implemented purchasing policy – 3 points No – nil points
Staff	S 2.1	Training/staff development program	A staff development system (staff training) is good business practice for the social development of this stakeholder. The development system should encompass opportunities that go beyond merely job skills and include personal development.	Yes – 5 points Yes but only includes job training and does not include personal development – 3 points No – Nil points
	S 2.2	Working conditions	The payment of award wages for locations with such provisions, or a "reasonable living wage" demonstrates a commitment to supporting the living conditions	Yes – 5 points No – Nil points

			employees.	
	S 2.3	Code of Conduct in staff relations	The meeting of acceptable codes of conduct (National Labour Laws, ILO standards, whichever applicable) demonstrates a commitment to fair and unbiased working conditions and employment philosophy.	Yes – 3 points No – Nil points
	S 2.4	Health & Safety training	Occupational Health and Safety training demonstrates a commitment to providing safe working conditions for the social well-being of employees.	Yes – 2 points No – Nil points
	S 2.5	Number of claims or injury reports	Evidence of a decline in the number of workers compensation claims or injury reports in areas without such provisions demonstrates an improvement in the working environment, improving the well-being of this stakeholder.	Assessed on a three year rolling basis to negate the effect of yearly anomalies. Yes – 3 points No – Nil points
	S 2.6	Staff satisfaction – number of absentee days	A measurement of the number of absentee days demonstrates staff satisfaction with the employment environment and directly leads to improved investment performance.	Assessed on a three year rolling basis to negate the effect of yearly abnormalities. Yes – 3 points No – Nil points
	S 2.7	Staff review process with feedback	Evidence of the constructive engagement with this stakeholder - two way feedback	Yes – 1 points No – Nil points

	S 2.8	Staff information of Social Policy	Inviting feedback on what you stand for takes the next step towards full engagement with this stakeholder.	Yes – 1 points No – Nil points
	S 2.9	Action taken on feedback on Social Policy	Taking action on the feedback to what you stand for, in whatever form that action might take, demonstrates a full commitment to engagement with this stakeholder.	Yes – 2 points No – Nil points
Suppliers	S 3.1	Preferential purchase from local suppliers	The purchase of goods and services from local suppliers supports the sustainability of the local community and economy.	Evidenced via written purchasing policy Yes – 8 points No – Nil points
	S 3.2	Association with like minded suppliers	The purchase of goods and services from like-minded suppliers supports commitment to the escalation of sustainable practices.	Evidenced via tender specifications. Yes – 4 points No – Nil points
	S 3.3	Unresolved disputes with suppliers	The existence of unresolved disputes with goods and service providers indicates unsustainable business practices and poor relationship with this stakeholder.	Yes – Nil points No – 2 points
Managers	S 4.1	Management conduct of business	The management of the business/ property in accordance with stated sustainability policies indicates action on ownership principles.	Evidenced through contract terms. Yes – 5 points No - Nil
Community	S.5.1	Interests of neighbours	Taking the interest of neighbours/ neighbourhood into account demonstrates commitment to a sustainable	Impacts to be established by assessor and each impact questioned. No evidence – Nil points Proportionate points given for affirmative evidence to a maximum of 5 points.

			relationship with this stakeholder.	
	S 5.2	Involvement with community development	Active engagement with the community in which the business/property operates demonstrates a sustainable relationship with this stakeholder. Active engagement involves staff, management, owner and/or property involvement in programs for community benefit. Mere financial donations are not considered.	Yes – 5 points No - Nil
	S 5.3	Property for community use	The use of the property for community use at available times demonstrates a positive commitment to engagement in sustainable relationships with this stakeholder.	Yes – 2 points No - Nil
	S 5.4	Public display of heritage values	Evidence of the display of the history of the property or its location demonstrates recognition of the importance of heritage to the social fabric of society. History may or may not be indigenous.	Yes – 3 points No - Nil
	S 5.5	Public display with indigenous association and values	Evidence of the display of the association with indigenous values of the property or its location demonstrates recognition of the importance of this to the social fabric.	Yes – 3 points No - Nil

Other Stakeholders	S 6.1	Outstanding orders from government agencies	The existence of outstanding orders indicates unsustainable business practices and poor relationship with this stakeholder.	Yes – Nil points No – 1 points
	S 6.2	Unresolved disputes with landlord or tenants	The existence of unresolved disputes with the lessor or lessees indicates unsustainable business practices and poor relationship with this stakeholder.	Yes – Nil points No – 2 points
	S 6.3	Investor feedback on Social policy	Inviting feedback on what you stand for takes the next step towards full engagement with this stakeholder.	Yes – 1 points No – Nil points
	S 6.4	Action taken on feedback on Social policy	Taking action on the feedback to what you stand for, in whatever form that action might take, demonstrates a full commitment to engagement with this stakeholder.	Yes – 2 points No – Nil points
	S 6.5	Relationship with financiers	The fulfilment of commitments demonstrates sustainable relationship with this stakeholder.	Yes – 1 points No – Nil points

Table 10

Finally, in regard to the transparency criteria for this example, it is to be noted that there are only two categories as opposed to the four categories of the previous example. It is believed that this simplifies the calculation process while still providing the required information.

While self-assessment is possible, for the index to be rigorously applied, the results of determining the index should be prepared or certified by a suitably qualified, independent expert. The qualifications of the expert are to be

detailed in any publication of the index. If there has been independent verification, a score of 10 points is awarded. If not, no points are awarded.

It is felt that the publication of the results of the index should be encouraged to demonstrate commitment towards sustainability. Therefore,
5 publication of the results in a forum available to all stakeholders and society at large scores 10 points. Non-publication means that no points are awarded.

Thus, the index can be used by investors to determine whether or not the investment is socially responsible. The index can also be used by personnel running the business/property to improve their environmental and social
10 performance levels thereby making the business/property a more attractive investment proposition to socially responsible investors.

It will be appreciated by persons skilled in the art that numerous variations and/or modifications may be made to the invention as shown in the specific embodiments without departing from the spirit or scope of the invention
15 as broadly described. The present embodiments are, therefore, to be considered in all respects as illustrative and not restrictive.

THE CLAIMS DEFINING THE INVENTION ARE AS FOLLOWS:

1. A method of determining the sustainability of an investment, the method including the steps of
applying predetermined financial and social responsibility criteria to the
5 investment; and
processing data generated as a result of the application of the criteria to derive a sustainability index for the investment.
2. A computer-implemented method of determining the sustainability of an
10 investment, the method including the steps of
applying predetermined financial and social responsibility criteria to the investment;
generating data as a result of the application of the criteria to the investment; and
15 feeding the generated data to a data processing means to derive a sustainability index for the investment.
3. The method of claim 1 or claim 2 in which the investment is a property investment and in which the method includes sub-dividing the index into at
20 least four components being the financial criteria, reporting transparency criteria with the social responsibility criteria being further divided into social criteria and environmental criteria.
4. The method of claim 3 which includes further sub-dividing each of the
25 social criteria, the environmental criteria and the reporting transparency criteria into a number of categories.
5. The method of claim 4 which includes allocating a total number of points to the index, the total number of points constituting an optimum score.
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6. The method of claim 5 which includes allocating the majority of points to the financial criteria, the social criteria and the environmental criteria.
7. The method of claim 6 which includes, at least in respect of the social
35 criteria and the environmental criteria, allocating points to the various

categories constituting those criteria based on the relative importance of those categories to sustainability principles.

8. The method of any one of claims 5 to 7 which includes, in applying the index in respect of the financial criteria, awarding points based solely on the property's return on accumulative investment cost relative to a benchmark return.
9. The method of claim 8 which includes, in respect of the remaining components of the index, awarding points depending on the success or otherwise of initiatives relevant to the categories constituting each of the criteria.
10. The method of any one of claims 4 to 9 which includes, in respect of the environmental criteria, selecting the categories constituting the environmental criteria to assess the property's interaction with, and impact on, the environment.
11. The method of claim 10 which includes, in applying the index, awarding no points in respect of the environmental criteria, as a whole, if there is evidence of a major negative environmental impact associated with the property.
12. The method of any one of claims 4 to 11 which includes, in respect of the social criteria, selecting the categories constituting the social criteria to assess the property's interaction with, and impact on, various stakeholders.
13. The method of claim 12 which includes, in applying the index, awarding no points in respect of the social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.
14. The method of any one of claims 4 to 13 which includes incorporating the reporting transparency criteria in the index to ensure a transparent process in the use of the index.

15. The method of any one of claims 4 to 14 which includes, in respect of each category constituting the reporting transparency criteria, awarding full points if there is compliance with conditions of that category and no points if there is no compliance with those conditions, there being no partial allocation of
5 points for partial compliance with the relevant conditions.

16. A system for determining the sustainability of an investment, the system including

a data generating means for generating data as a result of the
10 application of predetermined financial and social responsibility criteria to the investment; and

a data processing means responsive to the data generating means for processing said data to derive a sustainability index for the investment.

15 17. The system of claim 16 in which the investment is a property investment and the index comprises four components, being the financial criteria, reporting transparency criteria with the social responsibility criteria being sub-divided into environmental criteria and social criteria.

20 18. The system of claim 17 in which each of the social criteria, the environmental criteria and the reporting transparency criteria are sub-divided into a number of categories.

19. The system of claim 18 in which the index is based on an allocation of a
25 predetermined number of points constituting an optimum score.

20. The system of claim 19 in which the major portion of the points are allocated to the financial criteria, the environmental criteria and the social criteria.

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21. The system of claim 20 in which, at least in respect of the social criteria and the environmental criteria, points are allocated to the various categories constituting those criteria based on the relative importance of those categories to sustainability principles.

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22. The system of any one of claims 18 to 21 in which, in respect of the financial criteria, points are awarded based solely on the property's return on accumulative investment cost relative to a benchmark return whereas the other components deliver points depending on the success or otherwise of initiatives
5 in respect of the categories constituting the criteria.

23. The system of any one of claims 18 to 22 in which the categories constituting the environmental criteria are selected to assess the property's interaction with, and impact on, the environment.

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24. The system of claim 23 in which no points are awarded in respect of the environmental criteria, as a whole, if there is evidence of a major negative environmental impact associated with the property.

15 25. The system of any one of claims 18 to 24 in which the categories constituting the social criteria are selected to assess the property's interaction with, and impact on, various stakeholders.

26. The system of claim 25 in which no points are awarded in respect of the
20 social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.

27. The system of any one of claims 18 to 26 in which the reporting transparency criteria is included to enhance the credibility of the index by
25 ensuring a comprehensive, transparent process.

28. The system of any one of claims 18 to 27 in which, in respect of each category constituting the reporting transparency criteria, full points are awarded if there is compliance with conditions of that category and no points are
30 awarded if there is no compliance with the conditions of that category, there being no proportional allocation of points for any category.

29. A computer-readable medium having a plurality of data fields stored on the medium and representing a data structure, the medium comprising
35 a first data field containing data representative of the application of predetermined financial and social responsibility criteria to the investment; and

at least one further data field containing data representative of a sustainability index for the investment.

30. An index for use in assessing of the sustainability of an investment, the
5 index comprising

an optimum score to be aimed for;

a plurality of criteria, including financial criteria and social responsibility
criteria, a portion of the optimum score being allocated to each of the criteria;
and

10 an application means that assesses the investment to determine whether
or not the investment complies with requirements of the criteria and awards
points in dependence on compliance with those criteria, the assessment
resulting in an index score representative of the sustainability of the investment.

15 31. The index of claim 30 which is used in assessing the sustainability of a
property investment.

32. The index of claim 30 or claim 31 which comprises four components,
being the financial criteria, reporting transparency criteria with the social
20 responsibility criteria being sub-divided into environmental criteria and social
criteria.

33. The index of claim 32 in which each of the social criteria, the
environmental criteria and the reporting transparency criteria are sub-divided
25 into a plurality of categories.

34. The index of claim 33 which is based on an allocation of a predetermined
number of points constituting the optimum score.

30 35. The index of claim 34 in which the major portion of the points are
allocated to the financial criteria, the environmental criteria and the social
criteria, together.

36. The index of claim 35 in which, at least in respect of the social criteria
35 and the environmental criteria, points are allocated to the various categories

constituting those criteria based on the relative importance of those categories to sustainability principles.

37. The index of any one of claims 34 to 36 in which, in respect of the
5 financial criteria, points are awarded based solely on the property's return on accumulative investment cost relative to a benchmark return whereas the other components deliver points depending on the success or otherwise of initiatives in respect of the categories constituting the criteria.

10 38. The index of any one of claims 34 to 37 in which the categories constituting the environmental criteria are selected to assess the property's interaction with, and impact on, the environment.

39. The index of claim 38 in which no points are awarded in respect of the
15 environmental criteria, as a whole, if there is evidence of a major negative environmental impact associated with the property.

40. The index of any one of claims 34 to 39 in which the categories
20 constituting the social criteria are selected to assess the property's interaction with, and impact on, various stakeholders.

41. The index of claim 40 in which no points are awarded in respect of the
social criteria, as a whole, if there is evidence of a major negative social impact associated with the property.

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42. The index of any one of claims 34 to 41 in which the reporting transparency criteria is included to enhance the credibility of the index by ensuring a comprehensive, transparent process.

30 43. The index of any one of claims 34 to 42 in which, in respect of each category constituting the reporting transparency criteria, full points are awarded if there is compliance with conditions of that category and no points are awarded if there is no compliance with the conditions of that category, there being no proportional allocation of points for any category.

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44. A method of determining the sustainability of an investment, substantially as described herein.

45. A computer-implemented method of determining the sustainability of an
5 investment, substantially as described herein.

46. A system for determining the sustainability of an investment, substantially as described herein.

10 47. An index for use in assessing the sustainability of an investment substantially as described herein.

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